



FIRST ATLANTIC HEALTHCARE

Letter of Intent
Transfer Of Assets To Single LLC
Ronald C. Coffin

RECEIVED

MAY 17 2010

Division of Licensing and
Regulatory Services

Ms. Phyllis Powell
Assistant Director
Planning, Development and Quality
Licensing and Regulatory Services
Department of Human Services
State House Station #11
41 Anthony Avenue
Augusta Maine 04333-0011

Thursday, May 13, 2010

Dear Phyllis,

I write to request a determination that in concert with Mr. Coffin's estate planning the transfer of all of Mr. R. Coffin's healthcare assets into a single member LLC owned by Mr. R. Coffin in exchange for a 1% voting interest and a 99% non-voting interest is not subject to review. The LLC will be known as RC Coffin Holdings, LLC and will be managed by First Atlantic Corporation d/b/a First Atlantic Healthcare (FAHC). FAHC will continue to manage each facility under a management agreement as at present.

Attached please find the listing of all healthcare facilities and affiliated companies owned by Mr. R. Coffin .

The newly-formed LLC will be owned by Mr. R. Coffin and managed by First Atlantic Corporation d/b/a First Atlantic Healthcare. Craig Coffin, Kenneth Bowden and Ron Coffin serve as corporate officers of First Atlantic Corporation, with Bowden holding the position of CEO and C. Coffin holding the position of COO. First Atlantic Corporation, d/b/a First Atlantic Healthcare, holds management agreements with all of the healthcare facilities owned by Mr. R. Coffin and this will not change as a result of the consolidation of the entities into the new LLC.

The new LLC will conduct business as at present, the manager will not change, no capital expenditures will occur, no costs of the transaction will be reimbursable and the current rate paid to each healthcare entity by the Department will not change as a result of the transaction.

In a second transaction, Mr. R. Coffin will sell his non-voting interest in the new LLC to an irrevocable grantor trust established as part of his estate plan. Mr. R. Coffin will take back a note from the Trust for the value of the LLC non-voting interests. He will retain ownership of the LLC voting interests. Therefore, we also seek determination that the sale of the non-voting interest in the LLC to his irrevocable trust is not subject to review because this sale does not transfer control of the healthcare entities to another entity or person. After the sale of non-voting interest Mr. Coffin's

ability to manage, direct and exert his control and authority over the healthcare entities is the same as it was prior to the non-voting interest sale.

From the perspective of facility day-to-day control, decision-making and management nothing will change. First Atlantic Corporation will continue to manage the facilities under the terms of management agreements now in place; leadership at First Atlantic will not change.

In short, the transactions outlined above would be considered closely-related party dealings (actually only between Coffin and entities that he has created for his benefit). Clearly, if the transactions were other than between Mr. R. Coffin and himself a Certificate Of Need application and full review would be required. Therefore, as the remainder of our letter is considered, please keep in mind that any future transactions (other than the transfer of assets into the LLC and the subsequent sale of non-voting shares by Mr. R. Coffin to his Trust) would be submitted to the Department for full review.

For example and as more fully detailed below in the Background section, Mr. R. Coffin's succession plan contemplates company control passing to his son Craig (with Kenneth Bowden as a minority owner of the company) at Mr. R. Coffin's death. We agree that such transfers as contemplated by Mr. Coffin's succession plan would be subject to review as these subsequent transactions would constitute a change of ownership or control as defined under the CON statute.

Throughout the remainder of this letter "First Atlantic" will be used to refer to all facilities owned by Ronald C. Coffin and managed by First Atlantic Corporation d/b/a First Atlantic Healthcare.

Background

Mr. R. Coffin has owned and operated healthcare facilities since 1964. He is now 75 years of age, has had quadruple heart by-pass surgery and while now healthy, he is making plans for the future of his estate. He is undertaking estate planning with the goal of providing a smooth and efficient succession plan for First Atlantic. His stated planning goal is, at some point in the future, to pass 1/3 of his healthcare interests (by inheritance or gift) to his son Craig G. Coffin and to allow the remaining 2/3 to be purchased by Craig and Kenneth Bowden in equal shares.

As the first step in this succession planning, Mr. R. Coffin's advisors have recommended the establishment of an LLC into which all his healthcare holdings are to be transferred in exchange for 100% of the LLC voting and non-voting interests. Mr. R. Coffin would then sell to an irrevocable grantor trust that he has created only the non-voting interests of the LLC. The transfer of these LLC interests would be in exchange for a promissory note back to Mr. R. Coffin.

Financial impact of asset transfers to the LLC

The current Medicaid rate for all facilities will be unchanged after the transfer.

Cost for this transaction will be the sole responsibility of Mr. R. Coffin and will not be allowable cost for the purposes of Medicaid reimbursement.

No capital cost will be incurred; no allowable increased operating cost will be incurred; and anticipated utilization at all facilities is expected to remain as at present as will payer profiles.

Financial impact of non-voting shares sold to Mr. R. Coffin's Trust

The current Medicaid rate for all facilities will be unchanged after the transfer.

Cost for this transaction will be the sole responsibility of Mr. R. Coffin and will not be allowable cost for the purposes of Medicaid reimbursement.

No capital cost will be incurred; no allowable increased operating cost will be incurred; and anticipated utilization at all facilities is expected to remain as at present as will payer profiles.

Date of anticipated reorganization (completion date)

The LLC has been formed and it is the intention to transfer the assets into the LLC within the next 30 days. First Atlantic Corporation will execute its management agreement with the LLC under the same terms and conditions as at present. The sale of the non-voting LLC interests to the Trust is expected to be simultaneous with the transfers of assets.

As noted above and as a practical matter, the reorganization does not change the day-to-day operation of the facilities.

Department vetting of succession plan

We acknowledge and agree that the final steps in Mr. R. Coffin's estate plan (or any lifetime decision by Mr. R. Coffin) that involve the transfer of ownership and control to Craig Coffin and Kenneth Bowden will require CON approval.

Date of anticipated submission of application if one is required

The filing of an application for CON is somewhat contingent on how and when you respond to this LOI. However, because the nature of this reorganization is time-sensitive due to valuation report dates, we would send the application if one is needed as quickly as we could.

Waiver of technical assistance meeting

We waive our right to a technical assistance meeting in this matter, as the changes to be made do not involve capital expenditures, new construction, or transfer of ownership by purchase of a facility.

71.03 Scope of CON-covered activities

We have not entered into any commitment for financing a project that requires a CON nor have we incurred any expenditure for the project without having sought and received a CON.

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The contemplated activity is a contribution by Mr. R. Coffin of his ownership interests from each facility into the new LLC in exchange for all LLC interests (voting and non-voting). Mr. R. Coffin's percentage of ownership in the individual entities will not change as a result of this transaction. The sale of non-voting shares to Mr. R. Coffin's trust does not change his present controlling interest in the healthcare properties.

There will not be an acquisition of certain major movable equipment.

There will not be any capital expenditure that would trigger CON review.

No new health services will be developed as a result of this corporate reorganization.

There will not be any bed increase. No new construction of any kind is anticipated as a result of these transactions.

The nature of these dealings between Mr. R. Coffin and essentially himself does not amount to an acquisition or transfer as defined by the CON rules. Control will remain in the same proportion to ownership as before the transactions. In particular, day-to-day management of the facilities will remain with First Atlantic Healthcare.

The transactions contemplated herein do not change the status quo services provided by each facility at this time; thus, no new 3rd year operating costs would result.

We characterize the creation of the LLC by Mr. R. Coffin and subsequent sale of non-voting shares to his trust as an isolated change that does not result in any capital expenditures. Therefore the aggregation rule is not pertinent.

Thank you for reviewing this letter of intent. I look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kenneth Bowden", with a stylized flourish at the end.

Kenneth W. Bowden, CEO
First Atlantic Healthcare

CC
Mr. Larry Charbonneau
Healthcare Financial Analyst